

IRS News Release

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IRS to Appeal Accounting Decision; Proposed Standards Could Hinder Enforcement

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WASHINGTON — The Internal Revenue Service announced today it plans to appeal a decision by a federal arbitrator that the agency cannot raise the accounting qualifications for newly hired revenue agents.

On July 9, an arbitrator ruled that the IRS cannot raise the number of required accounting credit hours from 24 to 30.

IRS Commissioner Mark W. Everson raised concerns that the decision, if upheld, will hurt the agency's increased enforcement efforts against abusive tax shelters and other problem areas.

"To protect the public's interest, American taxpayers deserve someone with the equivalent of a college accounting degree conducting IRS audits," Everson said. "These audits can involve the largest corporations and wealthiest individuals in America. Our auditors face the best talent money can buy. This decision flies in the face of our efforts to strengthen enforcement."

"If you accept the logic underlying the arbitrator's decision — that the higher standard is not essential — we will be hard pressed to meet the challenges of increasingly complex schemes to hide income from IRS scrutiny," Everson said. "We will vigorously appeal this case."

In the early 1990s, the Office of Personnel Management conducted an occupational study of revenue agent positions. The study led to the increase in accounting credits to 30 hours from 24 hours and the identification of five accounting competencies — basic, intermediate and advanced accounting, cost accounting and auditing — needed by applicants for revenue agent positions. At that time, an estimated 70 percent of our revenue agents met the higher standard.

The IRS began implementing the new standard in 1995. Even though revenue agents already in the position were grandfathered from the 30 hour-requirement, the challenge to the IRS action was brought by the National Treasury Employees Union.

The six additional hours of courses are targeted at specific areas. They can include any combination of accounting and related subjects such as business law, economics, statistics, computerized accounting, finance and financial management. The requirements help improve the quality and preparation of revenue agents.

The IRS has approximately 11,700 revenue agents. Internal surveys indicate almost all of the current revenue agents already meet the 30-hour standard. The IRS has required new revenue agents to meet the standard, and the agency will continue to maintain that standard pending the appeal process.

The IRS would add additional revenue agents and other enforcement positions as part of the fiscal year 2005 budget request before Congress.

Higher standards for new revenue agents will assist the agency on its key enforcement priorities. Those priorities include:

- Discourage and deter non-compliance, with emphasis on corrosive activity by corporations, high income individual taxpayers and other contributors to the tax gap.
- Assure that attorneys, accountants and other tax practitioners adhere to professional standards and follow the law.
- Detect and deter domestic and off-shore based tax and financial criminal activity.
- Discourage and deter non-compliance within tax-exempt and government entities and misuse of such entities by third parties for tax avoidance and other unintended purposes.